

Message Text

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PAGE 01 NEW DE 11678 011615Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 FSE-00 OPR-02 PER-05 /120 W
-----033919 020636Z /21

R 011120Z AUG 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 3122
INFO AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
AMEMBASSY KATHMANDU
AMEMBASSY LONDON
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS NEW DELHI 11678

PASS TREASURY AND FRB

E.O. 11652: N/A
TAGS: EFIN IN
SUBJECT: INDIA DEVALUES RUPEE AGAINST POUND STERLING

REF: NEW DELHI 8195

1. ON JULY 31, 1978, THE RESERVE BANK OF INDIA (RBI) DEVALUED
THE INDIAN RUPEE AGAINST THE POUND STERLING BY 1.29 PERCENT,
WITH IMMEDIATE EFFECT. THE NEW SPOT RATES FOR THE RUPEE
ARE AS FOLLOWS:

BUYING RATE: RS. 110 EQ L 6.4516 (COMPARED TO THE PREVIOUS
6.5359), OR L 1 EQ RS. 15.50 (COMPARED TO 15.30).

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SELLING RATE: RS. 100 L 6.4103 (COMPARED TO 6.4935) OR
L 1 EQ RS. 15.60 (COMPARED TO 15.40).

2. THIS DEVALUATION YIELDS A NEW MID RATE OF RS. 100 EQ
L 6.4309 OR L 1 EQ RS. 15.55 (COMPARED TO RS. 100 EQ L 6.5147,
OR L 1 EQ RS. 15.35 AS FIXED BY THE RBI ON MAY 24, 1978 WHEN
THE RUPEE WAS REVALUED BY 2.6 PERCENT.)

3. FORWARD PURCHASES OF STERLING UP TO A MAXIMUM PERIOD OF NINE MONTHS HAS BEEN CONTINUED BY THE RBI ON A MONTHLY OPTION BASIS AT A DISCOUNT OF L 0.0050 FOR RS. 100 PER MONTH ON THE SPOT BUYING RATE OF RS. 100 EQ L 6.4516. THE NEW FORWARD RATES FOR RS. 101 WILL BE BETWEEN L 6.4566 FOR THE FIRST MONTH AND L 6.4966 FOR THE NINTH MONTH. THERE WILL BE NO CHANGE IN PURCHASES OF US DOLLARS, MARK AND YEN FOR SPOT AND FORWARD TRADING UP TO A PERIOD OF SIX MONTHS ON A MONTHLY OPTION BASIS AT RATES DETERMINED ON THE BASIS OF LONDON MARKET CROSS RATES.

4. COMMENT: BECAUSE OF THE CONTINUOUS WEAKENING OF THE US DOLLAR IN THE INTERNATIONAL CURRENCY MARKET AGAINST THE MAJOR CURRENCIES AND THE APPRECIATION OF THE POUND STERLING BY MORS THAN 2.5 PERCENT SINCE MAY 24 AGAINST THE BASKET OF CURRENCIES WITH WHICH THE INDIAN RUPEE IS LINKED, THE DOWNWARD CHANGE OF THE INDIAN RUPEE AGAINST THE POUND STERLING (THE INTERVENTION CURRENCY) BECAME NECESSARY. THE 1.29 PERCENT DEVALUATION OF THE RUPEE IS BELOW THE EXPECTATIONS OF THE FOREIGN EXCHANGE MARKET, AND IT DOES NOT FULLY COMPENSATE INDIAN EXPORTERS FOR THE FALL IN THEIR EARNINGS AS A RESULT OF THE DECLINE IN THE DOLLAR. THIS DEVLUATION WILL INCREASE IMPORT COSTS SLIGHTLY, BUT IS EXPECTED TO HAVE NO SIGNIFICANT IMPACT ON INDIA'S FOREIGN TRADE.

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Message Attributes

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Disposition History: n/a
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